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TAGS: ETRN, FR, UK

SUBJECT: CIVAIR: COUR DE COMPTE REPORT ON CONCORDE FINANCING

1. WEEKLY NEWS MAGAZINE L' EXPRESS PUBLISHES IN ITS MAY 14 ISSUE WHAT IS ALLEGED TO BE DRAFT OF SECTION ON CONCORDE FINANCING TO APPEAR IN REPORT WHICH COUR DES COMPTES SAID TO BE PLANNING SUBMIT TO PRESIDENT POMPIDOU NEXT MONTH. DRAFT IS CRITICAL OF COST OVERRUN AND OUTLOOK FOR FRENCH AND BRITISH GOVERNMENTS TO RECOUP MUCH OF THEIR OUTLAY FOR CONCORDE PROJECT. BELOW IS SUMMARY OF ARTICLE, TEXT OF WHICH BEING POUCHED.

2. COSTS TO FRENCH AND BRITISH GOVERNMENTS OF CONCORDE PROJECT HAVE ESCALATED FROM 1.8 BILLION FRANCH FORECAST IN 1962 TO 14 BILLION FRANCS (BEFORE TAXES) AS OF THIS DATE. TIMETABLE FOR AIRWORTHINESS CERTIFICATION HAS ALSO SLIPPED PROGRESSIVELY FROM END 1970 TO PRESENT TARGET DATE OF 1975. MAIN CAUSE OF SUCCESSIVE REVISION OF COST ESTIMATES SAID TO STEM FROM SHORT- SIGHTED PLANNING AT OUTSET WHEN EMPHASIS WAS ON MEDIUM- RANGE AIRCRAFT, EVEN THOUGH ADVANTAGES OF SUPERSONIC TRAVEL OTHER THAN OVER LONG DISTANCES OUGHT TO HAVE BEEN OPEN TO SOME QUESTION. SUBSEQUENT DESIGN CHANGES FOR LONG-
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RANGE MODEL REQUIRED MAJOR STRUCTURAL MODIFICATIONS IN AIRFRAME AND ENGINES, WITH INCREASE IN COSTS DUE TO NECESSARY REDESIGN AND RETOOLING. IN ADDITION, DESIGN CHANGES UPSET CONSTRUCTION TIMETABLE WHICH HAD FURTHER IMPACT ON COSTS, AND TWO PROTOTYPES DIFFER SUFFICIENTLY FROM WHAT PRODUCTION MODELS WILL BE SO AS TO RENDER IMPROBABLE ANY EVENTUAL COMMERCIAL UTILIZATION OF PROTOTYPES. UNCERTAINTY PRIOR 1970 OVER AIRCRAFT'S PERFORMANCE AT SUPERSONIC SPEEDS ALSO LED TO PIECEMEAL DECISIONS BY GOVERNMENTS WHICH FURTHER DELAYED PROJECT AND HAD IMPACT ON COSTS.

3. PROBLEMS IN FINANCING OF FRENCH SHARE OF CONCORDE APPEARED ONLY IN 1970, AND 1971 AND 1972 WERE ESPECIALLY DIFFICULT YEARS BECAUSE OF CUMULATIVE BURDEN OF FINANCING AIRBUS AND MERCURE PROJECTS IN ADDITION TO CONCORDE. TEN YEARS AFTER PROJECT WAS LAUNCHED, "IMPLEMENTATION OF PROGRAM WAS JUDGED TO BE TOO FAR ALONG TO PERMIT ANY FUNDAMENTAL REVISION. THE CONCORDE PROJECT THUS WEIGHED PERMANENTLY ON DECISIONS AS TO ALLOCATION OF GOVERNMENT RESOURCES."

4. AUTHORITIES HAVE INDICATED THAT SALE OF 300 CONCORDE AIRCRAFT WOULD BE BREAK-EVEN POINT. BELOW THAT LEVEL PAYMENTS OF FEES TO FRENCH AND BRITISH GOVERNMENTS FROM SALE OF AIRCRAFT AND SPARE PARTS WILL NOT COVER AMORTIZATION OF GRAND COSTS FINANCED BY GOVERNMENTS, MEANING THAT AIRCRAFT WOULD BE SOLD BELOW COST. DRAFT ADMITS THAT PROJECT HAS CONTRIBUTED TO TECHNOLOGICAL PROGRESS AND HAS SUSTAINED EMPLOYMENT IN AVIATION INDUSTRY, BUT NOTES THAT SUCH BENEFITS ARE DIFFICULT TO QUANTIFY ALONGSIDE HEAVY BURDEN CONCORDE HAS PLACED ON PUBLIC FINANCES OF BOTH COUNTRIES.

5. COMMENT: WITH ONLY HANDFUL OF CONCORDE SALES NOW ASSURED, LESS THAN BRILLIANT COMMERCIAL FUTURE OF CONCORDE HAS MADE IT PRIME TARGET IN RECENT MONTHS FOR SNIPING BY L'EXPRESS AND BY JEAN-JACQUES SERVAN-SCHREIBER IN PARTICULAR IN ITS COLUMNS. WHILE CRITICAL JUDGMENT BY COUR DES COMPTES (NEAREST FRENCH EQUIVALENT TO OUR GENERAL ACCOUNTING OFFICE) WILL EMBARRASS GOF THAT HAS LIMITED OFFICIAL USE

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ALREADY HAD MORE THAN ITS SHARE OF DECEPTIONS RE CONCORDE, "MORE IN SORROW THAN IN ANGER" TONE OF COUR DES COMPTES DRAFT REFLECTS RECOGNITION THAT CONCORDE IS ALREADY PAST POINT OF NO RETURN. DECONTROL FOLLOWING MAY 15, 1974.
IRWIN

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